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AMEMBASSY VIENNA

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VIENNA FOR EXIM DIETZ

E.O. 11652: N/A

TAGS: BFOL, LU

SUBJECT: PRODUCT OPPORTUNITY: ARBED STEEL MODERNIZATION

REF: A) LUXEMBOURG 639, B) STATE 250448

1. SUMMARY: ARBED INVESTMENT PROJECT FURTHEREST ALONG IS ROLLING MILL OF 1.2 MILLION TONS PER YEAR CAPACITY. EXIM VICE PRESIDENT DIETZ'S VISIT HELPED CONVINCE ARBED TO SOLICIT BIDS FROM TWO US FIRMS. DESCRIPTION OF PLANNED MILL AND EXISTING ARBED/DIFFERDANGE FACILITIES FOLLOWS: END SUMMARY.

2. FURTHER INFORMATION ON ARBED INVESTMENT PLANS INDICATES THAT THE FIRST PROJECT TO BE FUNDED WILL BE A NEW ROLLING MILL AT THE DIFFERDANGE DIVISION IN LUXEMBOURG. OTHER SPECIFIC PROJECTS, EXCEPT FOR SOME SMALL MODERNIZATION PROJECTS IN THE ROLLING MILLS, HAVE NOT YET BEEN GIVEN THE GREEN LIGHT. ARBED DIRECTION HAS EXPLAINED THAT THE INVESTMENT PROJECTS WILL FIT INTO THE FOLLOWING CATEGORIES:

A. A ROLLING MILL FOR STRUCTURAL STEEL AND MERCHANT BARS
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WITH A CAPACITY OF 1.2 MILLION TONS OF ROLLED STEEL PRODUCTS

PER YEAR. ESTIMATED COST IS 10 BILLION FRANCS (\$260 MILLION).

B. THE PROGRESSIVE MODERNIZATION OF LUXEMBOURG STEEL MILLS BY THE SUBSTITUTION OF LD CONVERTERS FOR THOMAS. ESTIMATED COST 3.5 BILLION FRANCS (\$90 MILLION).

C. THE MODERNIZATION OF OTHER ROLLING MILLS.

D. THE CONSTRUCTION OF A LARGE PIPELINE FOR THE TRANSPORT OF IRON ORE SLURRY FROM THE NORTH SEA TO LUXEMBOURG. THIS PROJECT IS IN THE EARLY STUDY STAGE AND ARBED WILL PROBABLY SEEK FRENCH PARTICIPATION IN THE PROJECT SO THAT THE PIPELINE COULD SERVE BOTH FRENCH AND LUXEMBOURG STEEL MILLS IN THE LORRAINE BASIN.

3. VISIT BY EXIM VICE PRESIDENT DIETZ IN MID-OCTOBER CAME AT OPPORTUNE MOMENT. DIETZ MET WITH NORBERT VON KUNITZKI, DIRECTOR OF FINARBED, THE FINANCIAL HOLDING COMPANY FOR ALL OF ARBED'S MULTINATIONAL OPERATIONS, AND HIS DEPUTY JOSEPH KINSCH. BOTH VON KUNITZKI AND KINSCH SAID THAT EXIM FINANCING OFFERED "INTERESTING POSSIBILITIES" AND THAT FINARBED WOULD ENCOURAGE THE OPERATING DIVISIONS TO CONSIDER US EQUIPMENT WHEN FORMULATING THEIR PLANS. EMBASSY CONTACTS IN THE OPERATING DIVISIONS HAVE CONFIRMED THAT THEY HAVE RECEIVED DIRECTIVES FROM FINARBED SINCE THE DIETZ VISIT URGING THEM TO CONSIDER US EQUIPMENT BECAUSE OF POTENTIALLY FAVORABLE US FINANCING TERMS.

4. PARTLY AS A RESULT OF FINARBED INTERVENTION, DIFFERDANGE DIVISION THIS WEEK SENT OUT REQUESTS FOR THE CONSTRUCTION OF A 1.2 MILLION TON CAPACITY ROLLING MILL TO SEVEN FIRMS, TWO OF WHICH ARE AMERICAN. THESE FIRMS ARE DEAN-UNITED INC., 3 GATEWAY CENTER, PITTSBURGH, AND BLAU-KNOX FOUNDRY AND MILL, 1 OLIVER PLAZA, PITTSBURGH.

ACTION REQUESTED: USDOC MAY WISH TO FOLLOW UP WITH THESE FIRMS, EMPHASIZING POTENTIAL CONTINUING EXPORT POSSIBILITIES AT ARBED. IF DOC CAN ALSO PROVIDE ADDITIONAL NAMES OF POTENTIAL US EXPORTERS, EMBASSY WILLING LIMITED OFFICIAL USE

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TO APPROACH DIFFERDANGE WITH NAMES OF OTHER US FIRMS THAT ARE COMPETITIVE IN THIS AREA, URGING ARBED TO SOLICIT BIDS FROM THEM ALSO.

5. ECON OFFICER CONVERSATIONS WITH ARBED/DIFFERDANGE INDICATE THAT DIFFERDANGE HOPES TO PLACE FIRST EQUIPMENT ORDERS WITHIN SIX MONTHS. LUCIEN MARC, DIFFERDANGE CHIEF ENGINEER RESPONSIBLE FOR MONITORING NEW PROJECT, INTENDS

TO HAVE RECEIVED ALL BIDS AND TO HAVE MADE HIS RECOMMENDATIONS TO FRANCOIS SCHROEDER, DIRECTOR, ARBED, IN CHARGE OF NEW PROJECTS WITHIN A THREE MONTH PERIOD.

6. AS INDICATED ABOVE, THE NEW MILL WILL HAVE A CAPACITY OF 100,000 TONS PER MONTH OR 1.2 MILLION TONS PER YEAR AND WILL PRODUCE THE FOLLOWING STEEL PRODUCTS: WIDE FLANGE BEAMS, JUNIOR BEAMS, U-PROFILE NORMAL (ROUND), U-PROFILE AMERICAN (SQUARE OR FLAT). WE HAVE OBTAINED SPECIFICATION SHEET FOR THESE PRODUCTS WHICH WE AIRMAILED ON NOVEMBER 15 TO USDOC OFFICE OF EXPORT DEVELOPMENT.

7. ARBED/DIFFERDANGE DIVISION SPECIALIZES IN THE PRODUCTION OF WIDE PARALLEL FLANGE BEAMS, STRIP, MERCHANT BARS AND WELDED TUBES. THE CURRENT PRODUCTION FACILITIES OF THIS DIVISION INCLUDE:

- A. ONE DWIGHT-LLOYD SINTER STRAND
- B. NINE BLAST FURNACES, ONE OF LARGE DIAMETER
- C. ONE BASIC BESSEMER (THOMAS) MELTING SHOP, WITH FIVE 52 TONS CONVERTERS
- D. ONE LD-AC MELTING SHOP WITH A 150 TON INTERCHANGEABLE CONVERTER
- E. EIGHT ROLLING MILLS

8. MARC HAS INDICATED THAT ONE OR MORE OF EXISTING ROLLINGS MILLS IS LIKELY TO BE DISCONTINUED ONCE THE NEW ROLLING MILL IS IN OPERATION ALTHOUGH NO DECISION HAS BEEN MADE AS TO WHICH ONES OR WHETHER THEY WILL BE THOSE LIMITED OFFICIAL USE

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AT DIFFERDANGE OR AT SOME OTHER DIVISION. DETAILS ON CAPABILITIES OF EXISTING ROLLING MILLS ARE:

A) SOAKING PITS AND BLOOMING/SLABBING MILLS. THE INGOTS SUPPLIED BY THE MELTING-SHOP ARE HEATED BY 31 SOAKING PITS, WITH A CAPACITY VARYING FROM 50 TO 60 TONS. TWO REVERSIBLE BLOOMING/SLABBING MILLS WITH 1,200 MM DIAMETER ROLLS, WITH BARREL LENGTHS OF 2,900 AND 2,700 MM RESPECTIVELY, TRANSFORM THE INGOTS EITHER INTO SLABS MEASURING 185 TO 620 MM BY 135 TO 145 MM SUPPLIED TO THE STRIP MILL AND THE THREE-HIGH MILL, OR INTO 155 OR 175 MM DIAMETER BLOOMS FOR THE MERCHANT BAR MILLS. EACH BLOOMING MILL IS DRIVEN BY TWO ELECTRIC MOTORS WITH A TOTAL POWER OF 12,000 HP AND HAS A PRODUCTION CAPACITY OF 3,000 T/DAY.

9. THE FINISHING MILLS ARE:

(A) A CONTINUOUS STRIP MILL CONSISTING OF A ROUGHING MILL WITH FOUR GROUPS OF STRANDS EACH CONSISTING OF 660 MM VERTICAL STAND, ROLLING IN TANDEM WITH A 650 MM HORIZONTAL STAND; AND A CONTINUOUS FINISHING MILL CONSISTING OF TWO-HIGH STRANDS (650MM) BETWEEN WHICH A 580 MM VERTICAL STRAND OPERATES. THE PRODUCTION CAPACITY OF THE MILL IS 45,000 TONS PER MONTH.

(B) A GREY MILL (WIDE FLANGED BEAMS) WITH A CAPACITY OF 60,000 TONS/MONTH AND WHICH ROLLS BEAMS RANGING IN DEPTH FROM 100 TO 1000MM. THE MILL IS FED BY A SPECIAL BLOOMING MILL, A TWO-HIGH REVERSAL STAND WITH A ROLL DIAMETER OF 1,550 MM. THREE GROUPS OF STRANDS MAKE UP THE UNIVERSAL MILL, A ROUGHING GROUP, AN INTERMEDIATE GROUP, AND A FINISHING MILL, CONSISTING OF A UNIVERSAL POLISHING STAND DRIVEN BY A 3,000 HP (METRIC) MOTOR.

10. ARBED/DIFFERDANGE DIVISION DESCRIBED BRIEFLY HERE IS SECOND LARGEST OF ARBED'S FIVE STEEL DIVISIONS WITH A CURRENT CAPACITY PRODUCTION OF 1.2 MILLION TONS. WE WILL BE REPORTING IN MORE DETAIL ON THIS AND OTHER LUXEMBOURG DIVISIONS OF ARBED AND EACH DIVISION'S PLANNED INVESTMENT PROJECTS IN SUBSEQUENT MESSAGES. FARKAS

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